

TechStar Limited

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Annual Financial Report

For the year ended 30 June 2006

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CHAIRMAN'S REPORT

The year to 30 June 2006 has been a watershed for TechStar Limited as we re-focused from the development of technical devices, which formed the original research projects at our public listing in 1999, into the environmental remediation sector and the mineral extraction industry.

Following shareholder approval at last year's AGM, we completed the acquisition of Ipoh Pacific Ltd and Exnox Technologies Pty Ltd in December 2005 and this delivered a number of exciting environmental technologies, with some close to commercialisation. These technologies, which are all based on the unique properties of the mineral bentonite, are discussed in more detail in this report.

The Company also gained the option to acquire a one third share of the very high quality bentonite resource at Mantuan Downs, in Central Queensland.

As an important benefit for TechStar, at the time of the Ipoh acquisition, \$4.7 million of debt in the Company was capitalised into equity providing a substantial improvement in the financial position of the Company.

Following the acquisition the Board secured the opportunity to complete the acquisition of the entire Mantuan Downs resource following a strategic evaluation of the resource, its proximity to heavy rail access to Galdstone deep water port, and international market prospects for bentonite. Accordingly, the Board signed an Agreement to acquire 100% of the issued capital of Ipoh Pacific Resources Pty Ltd, ("IPR") the owner of the Mantuan Downs bentonite resource. This step, when completed, will position TechStar as a significant supplier of bentonite into global markets, with a particular supply advantage into Asian regional markets. Discussions with potential industrial customers and major distributors have independently confirmed this assessment.

This is subject to shareholder approval at the AGM, and the Notice of Meeting accompanying this Annual Report includes the approval resolutions, and an Independent Expert's Report which confirms that the acquisition is in the best interests of shareholders.

We are already working with IPR to progress the resource, and a mining lease application for Mantuan Downs was lodged during June 2006. The exploitation of this resource is expected to provide a solid revenue base for the Company. At this time the Company is undertaking planning and has commissioned preparatory activities intended to bring the resource into operation during the first half of calendar 2007.

In May 2006, we signed a Heads of Agreement to develop the market for bentonite in the Middle East. Subsequent to the signing, two Directors have visited Dubai to assess the market and arrange to supply sample material.

Given our new suite of technologies, we engaged a technology management Company, Capital Technic Consulting ("CTG"), to oversee and co-ordinate the research and development processes for the Company.

TechStar strengthened its relationship with CSIRO, Australia's national research organisation, and licencing negotiations were initiated to enhance the Company's technology portfolio. We also signed a research partnership agreement with the Co-operative Research Centre for Contamination Assessment and Remediation of the Environment ("CRC Care"). CRC Care is undertaking technical research into Techstar's remediation

CHAIRMAN'S REPORT

technologies, and endorsement of the technologies as required for market commercialisation. TechStar has first right to take on any bentonite-based research emanating from CRC Care.

There have been some important personnel changes in the Company during the year.

Our founding Chairman, Mr John Reid AO, retired in May and, on behalf of the Board, I express our thanks for the work he has done in bringing TechStar through its first seven years as a public company. His mentoring of the company and its projects, and the substantial financial support he provided, enabled the Company to work through some difficult periods. We wish him a long and happy retirement.

Finally, I welcome all new shareholders and thank existing shareholders for their continued support. I believe that TechStar has an excellent future, holding a portfolio of environmental remediation technologies which have global application, supported by revenues from a world class bentonite resource.



Brian Jones
Chairman
Brisbane

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to hereafter as "the Group") consisting of TechStar Limited (referred to hereafter as "the Company") and its controlled entities for the year ended 30 June 2006.

DIRECTORS

The names and details of the Directors of the Company during the year and until the date of this report are:

Brian Jones B Bus Mgt, FAIM, FINSIA, MAICD (Chairman - Non Executive Director)

Experience and expertise

Mr Jones was a founding Director of TechStar, joining the Company in 1999. He has been involved in investment banking for over 25 years, with the last 20 years at Director and Managing Director level with local and international investment banks. He specialised in equity raising and venture capital for SMEs' including business planning, financial structuring and project managing initial public offerings.

Other current Directorships

He is currently a Director of Business Management Limited, Aurion Corporation Limited, and several private companies.

Special responsibilities

Chairman of the Board and member of Audit and Remuneration Committees.

Interests in shares and options

7,979,028 ordinary shares in TechStar Limited

Paul Byrne (Executive Director)

Experience and expertise

Mr Byrne joined the Company as Executive Director, following the acquisition of the Ipoh, Exnox Group of companies. Mr Byrne was a founder of the Ipoh Group and has initiated environmental remediation projects in conjunction with CSIRO, University of South Australia and the Queensland Department of Primary industries. He has also been involved in the resources sector since 1985 in exploration and mining and has been a Director of several listed Australian Public companies. Director since 29 November 2005

Other current Directorships

CRC Care Pty Ltd,

Special responsibilities

Oversee TechStar operations on a day to day basis
Represent the Company and its interests.
Development of opportunities.

Interests in shares and options

35,333,477 ordinary shares in TechStar Limited

Christopher Dredge BAppSc, MBA, AusIMM (Executive Director)

Experience and expertise

Mr Dredge joined the Company as Executive Director following the acquisition of the Ipoh Group of companies. He was a founder of the Ipoh Group and has 30 years experience in the mining industry in Australia and South East Asia.

He has held senior management and director positions with local and international companies. Director since 29 November 2005

DIRECTORS' REPORT

Other current Directorships

Nil

Special responsibilities

Responsible for geological and mine development activities.

Interests in shares and options

35,332,970 ordinary shares in TechStar Limited

Mr John Laurie B.Ec, FCPA, FAIM (Non-Executive Director)

Experience and expertise

Mr Laurie joined the board in January 2000. He has extensive experience in manufacturing and marketing in a wide variety of industries, both domestic and international.

Other current Directorships

He is currently a Director of Impact Capital Limited and the Chairman of the Twilight aged care group and was previously the chairman of Home Leisure Limited, Executive Director of Australian Cement Ltd, and Managing Director of Melcann Ltd as well as a past senior executive of CSR.

Special responsibilities

Member of the Remuneration Committee
Logistics and international trade

Interests in shares and options

1,722,986 ordinary shares in TechStar Limited

Peter Ziegler B. Com (Hons), LL.B (Hons); MFM, FCPA, FTIA, ACA (Non-Executive Director)

Experience and expertise

Mr Ziegler is a very experienced Company Director. He was a partner of one of the major international accounting firms, specialising in taxation and corporate structuring. He is also a solicitor of the Supreme Court of Victoria. Director since 29 November 2005

Other current Directorships

Nil

Mr Ziegler was previously a Director of Village Roadshow Limited, and the CEO of CPH Capital Pty Ltd.

Special responsibilities

Member of the Audit and Remuneration Committees

Interests in shares and options

Nil

John Fick BSc, BE, ME, MBA, MA, FAICD (Non-Executive Director)

Experience and expertise

Mr Fick joined the board on 8 June 2006. He has more than 25 years experience in industrial infrastructure and the advanced technology sectors holding senior management positions with Aristocrat Leisure and Boral. In recent years he established the leading Australian technology ventures company Capital Technic Group (CTG), specializing in the infrastructure sector. Director since 8 June 2006.

Other current Directorships

Mr Fick is a Director of CRC CARE Pty Ltd, Capital Technic Group Pty Ltd, Capital Technic Consulting Pty Ltd. and other technology companies.

Special responsibilities

Mr Fick provides expertise in project management and development and in contract negotiations.

DIRECTORS' REPORT

Interests in shares and options

3,000,000 ordinary shares in TechStar Limited

Company Secretary

Michael Ilett B Bus (Acc), Grad Dip Adv Acc, Grad Dip App Corp Gov, MBA,, ACIS, CA

Mr Ilett has been Company Secretary of TechStar Limited since 30 June 2006. He is a Chartered Accountant with over 20 years commercial experience in senior financial accounting roles. He is the Deputy Chairman of Chartered Secretaries Australia Limited (Queensland Division).

Mr Ilett has previously held the position of Company Secretary and Chief Financial Officer for Union Resources Limited and Gold Aura Limited.

John Reid A.O. LL.B, Hon.D.Bus (C Sturt), Hon.Ph.D. (Qld), Hon.D.Univ (QUT), Hon Fellow (Syd), CPE, FAICD, FAIM. (Previous Chairman)

Mr Reid resigned as a Director on 1 June 2006.

All Directors were in office for the entire year and up to the date of this report, unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities during the year were technology, research and development, commercialisation and intellectual property ownership. The technology portfolio expanded with the acquisition of the Ipoh Group in December 2005 to include environmental remediation technologies based on the mineral bentonite. Additionally, the Company signed an agreement to acquire a bentonite resource.

The Company is a Company limited by shares and incorporated and domiciled in Australia.

OPERATING RESULTS

The operating loss from ordinary activities after income tax of the consolidated entity for the year ended 30 June 2006 was \$2,195,482 (June 2005: loss \$1,715,561).

REVIEW OF OPERATIONS

The Company changed its technology focus during the year as the original research & development projects moved towards maturity, and Directors reviewed other opportunities to bring into TechStar's research and development portfolio.

As a result, the Ipoh environmental technology projects were acquired in December 2005. Since that time, the Company has been establishing the research & development protocols for these new projects.

In particular, TechStar signed a partnership agreement with CRC Care, headed by eminent environmental scientist, Professor Ravi Naidu, whereby TechStar will outsource research for these projects to CRC Care. CRC Care will complete the research and development for the Company's range of technologies, will complete endorsements of viability for the products, and will provide TechStar with the first right to commercialise all other technologies based on bentonite which are developed by CRC Care.

The Company also took the step of engaging a leading technology commercialisation firm, Capital Technic Consulting, to provide overall management and co-ordination support for the technology portfolio, including

DIRECTORS' REPORT

management of the CRC Care process, development of appropriate commercialisation strategies, and management of the commercialisation process.

In a further step towards concentrating on bentonite-based products, TechStar signed an agreement to acquire the Company which owns a large, superior quality bentonite resource in Central Queensland. This acquisition will be put to the AGM for approval. Details of the resource are provided below.

The status of the TechStar portfolio is as follows:

Bentonite-based technologies

Improved Crop Yield

This project is a joint venture between TechStar and CSIRO. Field trials by the CSIRO using sorghum, maize and sugar cane show the application of Mantuan Downs beneficiated bentonite can reverse the affects of soil degradation, significantly reduce the leaching of valuable plant nutrients, reduce water requirements, and sustain a significant increase in crop yield.

TechStar is working with CSIRO to finalise a global licensing structure, and has signed agreements for delivery of significant tonnage of the product into the Middle East.

Reduction of Toxic Compounds from Industrial Sites and Cigarette Smoke

Laboratory testing by University of South Australia's Centre for the Environmental Assessment and Remediation (CERAR), (now taken over by CRC Care) showed chemically modified bentonite when used in cigarette filters successfully reduced the levels of more than 120 potentially toxic organic carcinogenic compounds without adversely affecting nicotine levels. The product has similar success in paper "smog" masks.

The IP associated with the technology is owned by TechStar. With preliminary testing being completed and reported, TechStar has requested CRC Care to undertake more detailed research with respect to the project which can be presented to potential licensees such as major tobacco and protective mask companies.

Remediation of Heavy Metal Contaminated Sites

This project being run by CRC Care aims to develop and field trial a cost effective technology that minimises human exposure to contaminated soils through the use of a bentonite-based material.

This project has the support of the South Korean Government, and CRC Care has successfully completed trials in South Korea, and is progressing trials in China, which have also been successful. CRC Care is preparing a final report for TechStar.

DIRECTORS' REPORT

Removal of Oil Spills

The new oil spill removal technology developed by CSIRO uses modified industrial waste clays that, when contained in porous bags ("Spillows") made of spun bound propylene, float on water and absorb large amounts of oil and diesel. The same product can be applied to ground based oil spills including bunkering around oil storage and refining sites. TechStar made the final development payment to CSIRO in June 2006, and signed the global licensing agreement for that technology with CSIRO.

Further refinement of the technology is continuing with commercial applications likely within 12 months.

Wastewater Remediation

Water contamination is a critically important and emerging issue in many countries in the Australian-Asia Pacific region. Almost all the contaminated sites are legacies of waste disposals during the past 50 years.

Ipoh Pacific and the University of South Australia are jointly developing a solution to remediate industrial and municipal waste water. Laboratory trials were positive. The environmental research has been absorbed into CRC Care, and TSR is now working with that body to confirm the research.

Research on several other bentonite technologies acquired with Ipoh is continuing.

Co-operative Research Centre for Contamination Assessment and Remediation of the Environment ("CRC Care")

This body has become the major research centre for TechStar for its product development.

CRC Care is a public/private partnership developed under the auspices of, and with funding support from, the Federal Government. The partnership brings together corporate, academic and government Organisations to develop technologies for assessing and managing contamination in land, groundwater and air, and developing environmentally acceptable solutions.

TechStar, through its acquisition of Exnox Technologies Ltd as part of the IPOH Group transaction has joined with major industry partners including The Australian Institute of Petroleum, Alcoa, Rio Tinto, Coffey Geosciences, the Department of Defence and others to develop these technologies with support from government.

Ipoh Pacific Resources Pty Ltd – Mantuan Downs's bentonite resource

As part of the Ipoh Group acquisition in December 2005, TechStar acquired a farm-in right to acquire a one third ownership of two Exploration Permit for Minerals ("EPM's") held by related Company , Ipoh Pacific Resources Pty Ltd ("IPR"). TechStar also held a pre-emptive right to acquire the remaining 2/3 of these EPM's for a consideration to be negotiated.

The EPM's covered two areas, Mantuan Downs, and Buckland Plains. Both are located south west of Emerald in Central Queensland

DIRECTORS' REPORT

The Mantuan Downs resource has been extensively assessed by IPR. It is one of the largest bentonite resources in Queensland with bentonite of an exceedingly high quality. The resource is easily extracted, being of good thickness in a level plane, located just below the surface, in some cases less than 1 metre.

The Mantuan Downs EPM covers an area of 84.4 sq kms, and an initial area of 2.74 sq kms was pegged on 1 June for the first mining lease application which should be approved by March 2007. Mining should commence shortly after approval.

A resolution to approve the acquisition of 100% of the capital of IPR is being placed before the AGM. This will deliver ownership of the bentonite resource to TechStar.

TechStar is already working with IPR in progressing the development of the mine to first production of commercial bentonite. This is a resource which is arguably among the purest bentonite deposits in the world. The Company has already been approached by most of the world's largest industrial mineral distributors regarding supply of product.

Original Projects

SportzWhistle – electronic whistle

TechStar has signed two agreement in June 2006 with New Zealand-based Titchfield Services Limited.

The first agreement provides for Titchfield to acquire the Sportzwhistle Company and the Sportzwhistle technology for a purchase price of \$1,750,000 to be paid over 5 years through a revenue-sharing royalty. TechStar will also receive a perpetual trailing royalty.

The second agreement provides for Titchfield to acquire the emergency response vest technology for a purchase price of \$250,000, also to be paid over 5 years through a revenue-sharing royalty TechStar will also receive a perpetual trailing royalty.

These divestments are scheduled for completion during late 2006.

Ironbar – Reomate reinforcing bar tying tool, and Reotie wire bar ties

Following development of several prototypes in China by Shanghai Quoter Hardware Company in conjunction with the Shanghai University, TechStar has now engaged an Australian-based mechanical design consultancy to complete commercial pre-production models of the Reomate for final field testing.

This project has taken longer than anticipated because, while the prototype delivered reinforcing wire ties at the rate of one per second, converting the prototype to a tool capable of mass production and sustained reliability has taken time. However the Reomate is an exciting project stimulating serious international interest with industry experts who are confident that the tool will fill a real need in the building sector. This confidence is reinforced by continuing strong interest from an American building product manufacturer.

DIRECTORS' REPORT

Augen Technologies (EyeBionics™)

The "bionic eye" technology is an Australian product developed by scientists at the University of NSW and Newcastle University.

TechStar presented the technology to several potential investors, including overseas governments, during the year without success. The Company is now considering alternate funding structures which would enable EyeBionics to access the additional external funding. TechStar will retain an ongoing involvement to promote the project's future.

DIVIDENDS

No dividends of the parent entity or any entity of the consolidated entity have been paid or declared or recommended since the end of the preceding year. The Directors do not recommend the payment of any dividend for the year ended 30 June 2006.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Following shareholder approval at the AGM held on 29 November 2005, TechStar completed the acquisition of the Ipoh Group of companies in December 2005. This transaction resulted in TechStar:

- a) gaining a number of new technology projects;
- b) having the right to acquire a one third share of Mantuan Downs bentonite resource;
- c) issuing 148,754,909 ordinary shares including a total of 100 million fully ordinary shares paid shares to the vendors of the Ipoh Group; and
- d) converting \$4.7 million of debt in the Company to equity at 12 – 15 cents per share.

SIGNIFICANT EVENTS AFTER BALANCE DATE

At the General Meeting held on 13 September 2006, the following resolutions were approved by the members:

- a) change of auditor from Ernst & Young to Sothertons Chartered Accountants;
- b) the related party issue of 3,000,000 fully paid shares at an issue price of 5 cents per share to an entity related to Mr John Fick; and
- c) ratification of prior issues of 9,000,000 fully paid shares to various sophisticated investors at an issue price of 5 cents per share.

LIKELY DEVELOPMENTS IN THE GROUP OPERATIONS

In June 2006 TechStar entered into a conditional Heads of Agreement to acquire Ipoh Pacific Resources. This transaction will secure the Mantuan Downs bentonite resource which is now seen by TechStar as providing a classic case of vertical integration by ensuring supply for environmental remediation products. In addition, the resource should provide an underpinning cash flow, through direct sales, to support the Research and Development programs for the technology projects that have potential to deliver good returns. The acquisition of Ipoh Pacific Resources Pty Ltd is subject to shareholder approval.

ENVIRONMENTAL REGULATION

The Consolidated Entity's operations were not subject to any particular and significant environmental regulation during the financial year.

DIRECTORS' REPORT

Upon acquisition of Ipoh Pacific Resources Pty Ltd the Consolidated Entity would be subject to the Mineral Resources Act (1989) and Environmental Protection Act (1994).

RISK MANAGEMENT

The Board has been pro-active in identifying and analysing risks across the operations of the Company. Although the Board has been instrumental in managing risk, it has not established a separate risk management committee. The Board has requested its executive management to minimise the normal risks that relate to its technology projects and exploration and evaluation activities which are inherent in the business and accepted by investors into the business.

SHARE OPTIONS

At the date of this report there were no unissued ordinary shares under options. No options were issued to Directors, officers or employees during the year as part of their remuneration

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the financial year the Company paid a premium to insure all past, present and future Directors and Officers of the Company against liability for reasonable legal costs incurred in:

1. the investigation, defence, reporting, or negotiation for settlement of legal or arbitral proceedings or a claim for compensation; and
2. Legally compellable attendance at any official investigation, examination or inquiry.

However, the insurance does not cover certain defined exclusions, including liability that arises from a dishonest, fraudulent or malicious act, intentional or wilful breach of statute, contract or duty, and others. The insurance contract prevents disclosure of the liability or amount of the premium paid.

DIRECTORS' MEETINGS

The number of meetings of Directors and meeting of committees of Directors held during the year, and the number of meetings attended by each Director was as follows:

	Directors' meetings	Audit Committee	Remuneration Committee
Number of meetings held:	12	2	2
Number of meetings attended:			
BP Jones	12	2	2
JW Laurie	12	**	**
PJ Byrne (<i>appointed 29 November 2005</i>)	8 of 8	**	**
CP Dredge (<i>appointed 29 November 2005</i>)	6 of 8	**	**
PA Ziegler (<i>appointed 29 November 2005</i>)	8 of 8	1 of 1	1 of 1
J Fick (<i>appointed 8 June 2006</i>)	1 of 1	**	**
JB Reid (<i>resigned 1 June 2006</i>)	10	2	2

** = Not a member of the relevant committee

The Company has an Audit Committee and a Remuneration Committee.

DIRECTORS' REPORT

The members of the Remuneration Committee were Mr JB Reid, Mr BP Jones and Mr JW Laurie until 1 June 2006, and subsequently Mr B P Jones, Mr J W Laurie and Mr P Ziegler.

The Audit Committee oversees and appraises the quality of audits conducted by the consolidated entity's external auditors, as well as determining the adequacy of administrative, operating and accounting controls. It is responsible for ensuring that the consolidated entity properly complies with all legislation and policies affecting its daily operations. It maintains open lines of communication between the Board and external advisers and oversees the identification of risk to ensure its proper management. During the year the Company had two audit committee meetings.

The members of the Audit Committee were Mr J B Reid and Mr B P Jones until 1 June 2006, and subsequently Mr B P Jones and Mr P Ziegler.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Equity instruments of the Directors.

At the date of this report the interests in the equity interests of the Company held by Directors and their Director related entities were:

Name of Director	Ordinary full paid shares
BP Jones	7,949,028
JW Laurie	1,722,986
PJ Byrne	35,333,477
CP Dredge	35,332,970
J Fick	3,000,000
PA Ziegler	-
Total	83,338,461

REMUNERATION REPORT

The remuneration report is set out under the follow main headings: -

- A. Principles used to determine the nature and amount of remuneration
- B. Details of Remuneration
- C. Service Agreements
- D. Share-based compensation

A. Principles used to determine the nature and amount of remuneration

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors and the senior executives. The Board also reviews and ratifies the Remuneration Committee's recommendations on the remuneration of key management and staff.

Executive Remuneration

The remuneration policy ensures that contracts for services are reviewed on a regular basis and properly reflect the duties and responsibilities of the individuals concerned. The executive remuneration structure is based on a number of factors including length of service, relevant market conditions, knowledge and experience with the industry, organisational experience, performance of the Company and that the

DIRECTORS' REPORT

remuneration is competitive in retaining and attracting motivated people. There is no guaranteed pay increases included in the senior executives' contracts.

Currently executive remuneration comprises of a total fixed remuneration and does not comprise of any short-term incentive schemes or equity based remuneration.

The Directors are not entitled to any retirement benefits except those as provided by the superannuation guarantee scheme, which is currently 9%.

Directors' Fees

The maximum aggregate annual amount payable in Non Executive Directors' Remuneration is \$250,000 per annum. The Non Executive Directors' do not currently participate in any cash bonus or share plans. Except for retirement benefits provided by the superannuation guarantee scheme there are no retirement benefits for the Non Executive Directors.

The Directors have elected to accrue their Directors' fees during the year due to the current cash flow position of the Company.

B Details of remuneration

Amounts of Remuneration

Details of remuneration of the Directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of TechStar Limited and its controlled entities are set out in the following tables.

The key management personnel of the Consolidated Entity are the Directors of TechStar Limited and those executives that report directly to the Managing Director. There were 4 key management personnel during the financial year

Their details of their functional positions are outlined in the following table:

Name	Position	Employer/Contractor
David Hunt	Chief Executive Officer	TechStar Limited
Peter Dewar	Chief Operating Officer	TechStar Limited
Michael Ilett	Company Secretary	TechStar Limited
Kevin Mischewski	Financial Accountant	TechStar Limited

It is noted that Mr Ilett joined the Company on 30 June 2006, Mr Dewar resigned on 16 June 2006 and Mr Hunt resigned on 9 September 2006.

DIRECTORS' REPORT

Details of the nature and amount of each element of the emolument of each Director of the Company and each of the five executive officers of the Company and the consolidated entity receiving the highest emolument for the year are as follows:

Specified Directors		Short-term benefits	Post-employment benefits	Equity-based benefits	Total
		Base Salary & Fees	Superannuation	Options	
		\$	\$	\$	
J. B. Reid	2006	25,000	—	—	25,000
	2005	60,000	—	—	60,000
B. P. Jones	2006	25,000	—	—	25,000
	2005	40,000	—	—	40,000
J. W. Laurie	2006	23,333	—	—	23,333
	2005	40,000	—	—	40,000
A. J. Hamer	2006	—	—	—	—
	2005	20,000	—	—	20,000
P.J Byrne	2006	31,500	—	—	31,500
	2005	—	—	—	—
C. P Dredge	2006	31,500	—	—	31,500
	2005	—	—	—	—
P. A Ziegler	2006	23,333	—	—	23,333
	2005	—	—	—	—
J. Fick	2006	—	—	—	—
	2005	—	—	—	—
Total Remuneration	2006	159,666	—	—	159,666
	2005	180,000	—	—	180,000

Other key management personnel		Short-term benefits	Post-employment benefits	Other	Total
		Base Salary & Fees	Superannuation	\$	
		\$	\$	\$	
David Hunt	2006	157,389	14,165	8,446	180,000
	2005	122,050	10,985	13,374	146,409
Peter Dewar	2006	112,746	5,485	—	118,231
	2005	83,919	7,553	—	91,471
Kevin Mischewski	2006	89,568	—	—	89,568
	2005	—	—	—	—
John Hilton	2006	4,500	450	—	4,500
	2005	30,000	2,700	—	32,700
Barry Moffat	2006	—	—	—	—
	2005	66,940	6,025	—	72,965
Michael Ilett	2006	—	—	—	—

DIRECTORS' REPORT

	2005	—	—	—	—
Total Remuneration	2006	383,853	20,100	8,446	382,299
	2005	302,909	27,263	13,374	343,545

C. Service Agreements

1. Remuneration and other terms of employment for the Executive Directors and Key Management Personnel are formalised in service agreements. The contractual arrangements contain certain provisions typically found in contracts of this nature. Other major provisions of the agreements relating to the remuneration are set out below:

Directors and specified executives did not receive any cash bonuses, non-monetary benefits or retirement benefits during the reporting period. No options were issued as remuneration to Directors, officers or employees during the year. Further details of the remuneration are detailed in note 23 of the Financial Report.

2. Executive Directors

The Company entered into a Consultancy Agreement with Capital Technic Consulting Pty Ltd ("CTC"), an entity associated with Mr. John Fick. The agreement commenced on 1st May 2006 for a period of 36 months, reviewable annually. Under this agreement the Company engaged CTC to manage the Company's technology, including research and development.

The agreement provides the following:

- Payment of a \$16,667 per month plus GST consulting retainer;
- Payment of any service fees and disbursements;
- Termination for non performance or by mutual agreement; and
- Provides key KPIs for licensing contracts and revenue generated for the portfolio of projects underway.

The Company entered into a Consultancy Agreement with Mr. Paul Byrne and Moray Holdings (Qld) Pty Ltd as trustee for the Byrne Family Trust ("MOH"), an entity associated with Mr. Paul Byrne. The agreement commenced on 29th November 2005 for a period of 12 months. Under this agreement the Company engaged MOH to provide executive advice, support and administrative functions to the Company and its Board.

The agreement provides the following:

- Payment of a \$4,500 per month plus GST consulting retainer;
- Payment of any service fees and disbursements;
- After the 12 month period the agreement shall continue and each party may terminate the agreements on 30 days notice in writing.

The Company entered into a Consultancy Agreement with Mr. Chris Dredge. The agreement commenced on 29th November 2005 for a period of 12 months. Under this agreement the Company engaged Mr Chris Dredge to provide executive advice, support and administrative functions to the Company and its Board.

The agreement provides the following:

- Payment of a \$4,500 per month plus GST consulting retainer;
- Payment of any service fees and disbursements;
- After the 12 month period the agreement shall continue and each party may terminate the agreements on 30 days notice in writing.

3. Key Management Personnel

David Hunt and Peter Dewar were engaged under contracts of service. Remuneration and other terms of employment for the key management personnel of the group are formalised in service agreements. The

DIRECTORS' REPORT

contractual arrangements contain certain provisions typically found in contracts of this nature. Other major provisions of the agreements relating to the remuneration are set out below:

- D. Hunt (Chief Executive Officer)
Base Salary including superannuation of \$180,000 per annum plus travel, accommodation and general out of pocket expenses
Salary Package – Includes a Company car and the Fringe Benefits Tax reportable amount of the car was \$8,446.
Termination Payment or Notice– Amount equal to 25% of the employee's total remuneration for the year as set out in the contract of employment.
Resigned: 9th September 2006
- P. Dewar (Chief Operating Officer)
Base Salary including superannuation of \$120,000 per annum plus travel, accommodation and general out of pocket expenses
Termination Payment – Amount equal to 50% of the employee's total remuneration for the year as set out in the contract of employment.
Resigned: 16th June 2006
- K. Mischewski (Financial Accountant)
Base Salary of \$65 per hour plus GST. This was paid to an employment agency which was not a personally related entity. The aggregate amount of the fees payable to the agency included an undisclosed amount of commission withheld by the agency. The contract with the agency was terminated after the end of the financial year and Mr Mischewski was engaged directly through a company associated with him at an hourly rate of \$65 per hour plus GST.
Period of Termination – No notice period
- M. Ilett (Company Secretary)
Base Salary of \$85 per hour for Company secretarial services
Period of Termination – No notice period

D. Share Based Compensation

There were no incentives were offered to employees.

No options have been granted to any person or Director during the year as part of their remuneration. No element of the remuneration of any Director or Executive is related to the performance of the Company.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditors for audit and non-audit services provided during the year are set out below.

The Directors of TechStar have considered the position and in accordance with advice received from the Company's Audit Committee, are satisfied that the provision of non-audit services during the year by Sothertons Chartered Accountants is compatible with the general standard of independence for auditors imposed by the

DIRECTORS' REPORT

Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by Sothertons Chartered Accountants did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F-1, including reviewing or auditing the auditors' own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the consolidated entity:

	Consolidated	Consolidated
	2006	2005
	\$	\$
Assurance Services		
1. Audit Services		
Ernst & Young		
Audit and review of financial reports of the entity or any entity in the consolidated entity and other audit work under the Corporations Act 2001	\$47,964	\$100,811
Sothertons Chartered Accountants		
Audit and review of financial reports of the entity or any entity in the consolidated entity and other audit work under the Corporations Act 2001	\$32,000	
Total remuneration for audit services	\$79,964	\$100,811

	Consolidated	Consolidated
	2006	2005
	\$	\$
2. Taxation Services		
Sothertons Chartered Accountants		
Tax compliance services, including review of Company income tax matters	\$4,695	-
Total remuneration for taxation services	\$4,695	-

DIRECTORS INTERESTS IN CONTRACTS

No material contracts involving Directors' interests were entered into during the financial year, other than those transactions detailed in the Remuneration report section of this Directors' Report.

TAX CONSOLIDATION

Effective 1 July 2004, for the purposes of income taxation, TechStar Limited and its wholly owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Board of Directors is responsible for the Corporate Governance of the consolidated entity. The Board is committed to achieving the highest standards of corporate behaviour and accountability. The Company's Corporate Governance Statement is contained in the following section of this report.

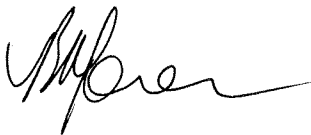
AUDITOR INDEPENDENCE

Section 307C of the *Corporations Act 2001* requires the Company's auditors, Sothertons Chartered Accountants, to provide the Directors with a written independence declaration in relation to their review of the financial report for the year ended 30 June 2006. The written Auditor's independence declaration is attached to the Directors' Report and forms part of this Directors' Report.

ROUNDING

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the rounding of amounts in the financial report. Amounts in the financial report have been rounded in accordance with that Class Order to the nearest dollar.

Signed for and on behalf of the Board in accordance with a resolution of the Directors :



B P Jones
Chairman
Brisbane,
30 September 2006



PJ Byrne
Executive Director

PARTNERS

Geoffrey J. Read

Linda E. Timms

Karen E. Keating

Anthony C. Bryen

**Lead Auditor's Independence Declaration
To the Directors of TechStar Limited**

CONSULTANT

Kenneth E. Scells

In accordance with Section 307C of the Corporations Act 2001 I declare that, to the best of my knowledge and belief, in relation to the audit of TechStar Limited for the financial year ended 30 June 2006 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



Sothertons - Brisbane Partnership



G J Read
Lead Audit Partner

Dated at Brisbane this thirtieth day of September 2006

CORPORATE GOVERNANCE STATEMENT

Unless otherwise stated, the Company has followed best practice recommendations set by the ASX Corporate Governance Council during the reporting period.

TechStar's Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1. Lay solid foundations for management and oversight

Principle 2. Structure the Board to add value

Principle 3. Promote ethical and responsible decision making

Principle 4. Safeguard integrity in financial reporting

Principle 5. Make timely and balanced disclosure

Principle 6. Respect the rights of shareholders

Principle 7. Recognise and manage risk

Principle 8. Encourage enhanced performance

Principle 9. Remunerate fairly and responsibly

Principle 10. Recognise the legitimate interests of stakeholders

TechStar's Corporate Governance practices were in place throughout the year ended 30 June 2006 and were substantially compliant with the Council's best practice recommendations.

Principle 1. Lay solid foundations for management and oversight

TechStar's Board is responsible to shareholders for the Group's overall Corporate Governance. The Board delegates to the executive team the responsibility for the operation and administration of the consolidated entity. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess their performance.

The Company Secretary reports directly to the Board. Between meetings the Secretary is required to keep the Chairman fully informed.

The specific responsibilities of the Board include:

- Reviewing and approving the strategic direction, policies and budgets of the Company and ensuring that these are followed;
- Providing entrepreneurial leadership of the Company ;
- Appointing and removing the CEO (or equivalent);
- Where appropriate, ratifying the appointment and removal of the Chief Financial Officer (CFO) (or equivalent);
- Setting corporate strategy and performance objectives;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- Monitoring management's performance and implementation of strategy and ensuring appropriate human and financial resources are available;
- Setting the Company 's overall remuneration framework and assessing the performance of, and compensation for senior management;
- Enhancing and protecting the reputation of the Company ;
- Reporting to Shareholders.

Principle 2. Structure the Board to add value

The Board has an effective composition, size and commitment to adequately discharge its responsibilities and duties. An effective Board facilitates discussion, allows debate, adds value and ensures that the Directors discharge their duties required by the law. The skills, experience and expertise relevant to the position of

CORPORATE GOVERNANCE STATEMENT

Director held by each Director in office at the date of the annual report is included in the Directors' Report on page 4.

The Company presently has four non-executive Directors, two of whom are considered by the Board to be independent in terms of the ASX Corporate Governance Council's definition of independent Director. However, the Board has adopted a number of measures to ensure that independent judgement is achieved and maintained in respect of its decision-making processes.

The Directors of TechStar considered to be independent are:

Name	Position
JW Laurie	Non executive Director
PA Ziegler	Non executive Director

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
BP Jones	7 years
JW Laurie	6 ³ / ₄ years
PJ Byrne	10 months
CP Dredge	10 months
PA Ziegler	10 months
J Fick	4 months

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

Nomination Committee

The whole Board decides the selection of members of the Board and the making of recommendations to shareholders for election of Directors.

In considering membership of the Board, Directors take into account the appropriate skills and characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience for the present and future needs of the Company.

Currently TechStar does not have a nomination committee. However, each of the board members takes responsibility for:

- Assessing the necessary competencies of Board members to add value to the Company ;
- Review the Board succession plans;
- Evaluation of the Board's performance;
- Making of recommendations to shareholders for election of Directors.

CORPORATE GOVERNANCE STATEMENT

Principle 3. Promote ethical and responsible decision making

TechStar is firmly committed to ethical business practices, a safe workplace and compliance with the law. Fair dealing with the Company's suppliers, advisors, customers, employees and competitors is expected at all levels of the organisation.

There is no formal process to encourage the reporting of unlawful or unethical behaviour and the protection of those reporting perceived violations in good faith. However the Board believes that the culture of the Company is such that this would be the case.

Under ethical and responsible decision making officers and employees are expected to:

- Not to be in a conflicts of interest position where the interest of a private individual interferes or appears to interfere with the interests of the Company as a whole;
- Not to gain any corporate opportunities where Directors and key executives take advantage of property, information or position, or opportunities arising from these, for personal gain or to compete with the Company ;
- Maintain confidentiality in the use of non-public information except where disclosure is authorised or legally mandated;
- Ensure fair dealing by all employees with the Company 's customers, suppliers, competitors and employees;
- Ensure protection of and proper use of the Company 's assets - protecting and ensuring efficient use of assets for legitimate business purposes;
- Compliance with laws and regulations, and the active promotion of compliance; and encouraging reporting of unlawful/unethical behaviour, including the active promotion of ethical behaviour and protection for those who report violations in good faith.

In summary, the Company requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the spirit of the law and Company policies.

Share Trading Policy

The Company has developed a Share Trading Policy, which has been fully endorsed by the Board and applies to all Directors and employees.

Directors, executives and employees may deal in Company securities; however they may not do so if in possession of information, which is price sensitive to the security's market place.

Principle 4. Safeguard integrity in financial reporting

TechStar's Financial Accountant reports in writing to the Audit Committee that the consolidated financial statements of TechStar and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The number of Audit Committee meetings conducted is detailed in the Directors' report.

CORPORATE GOVERNANCE STATEMENT

The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit Committee.

The Audit Committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are non-executive Directors.

The members of the audit committee during the year were:

- JB Reid
- BP Jones
- PA Ziegler

Principle 5. Make timely and balanced disclosure

Comprehensive procedures are in place at TechStar to make sure that all Company announcements are made in a timely manner, are factual, do not omit material information, are balanced and are expressed in a clear and objective manner so as to allow investors to assess the information when making investment decisions. During the financial year the Directors' complied with the Listing Rule 3.1 and the guidance to Listing Rule 3.1 regarding disclosure of information that may have a material affect on the Company.

The Executive Directors are responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board.

The Company Secretary is responsible for all communications with the ASX.

Principle 6. Respect the rights of shareholders

That TechStar openly, regularly and in a timely manner empower shareholders by:

- Communicating effectively with them;
- Giving them ready access to balanced and understandable information about the Company and corporate proposals;
- Making it easy for them to participate in General Meetings.

TechStar's management ensures that all such matters are brought to the Board's attention promptly.

TechStar is currently exploring the use of a "Shareholder Express" product, which would enhance the electronic communication with shareholders. All information disclosed in the ASX is available on the ASX's website shortly after the release to the ASX.

The Company Secretary has been nominated as the person responsible for communication with the ASX.

All shareholders receive a copy of the Company's full annual report.

The Company requests the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 7. Recognise and manage risk

TechStar recognises that it is necessary to undertake activities that involve a level of risk in order to achieve high levels of performance. The Board is responsible for the oversight of the Group's risk management and control framework.

The size of the Company and the comprehensive nature of its monthly reporting systems have led the Board to conclude that a formal internal audit process would not be cost effective nor reduce risk.

There is no formal Risk Management Policy, however the culture of the Company is focused on the identification and management of risk, and they are;

CORPORATE GOVERNANCE STATEMENT

- Establishing the Company 's corporate level and business level goals and monitoring and implementing strategies to achieve these goals;
- Identify and measure risks that might impact upon the achievement of the Company 's goals and monitor for trends and emergent factors;
- Formulate risk management strategies and identify and design and implement policies.
- Monitor the risk management process and strategies.

The Board believes that there are adequate controls to ensure that financial reports provide a truthful and factual position for the Company.

Principle 8. Encourage enhanced performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. Directors were initially invited to join the Board on the basis of their experience and skills in relation to the Company's activities.

The performance criteria against which Directors and executives are assessed is aligned with the financial and non-financial objectives of TechStar. The Board has a responsibility to ensure that executive remuneration is fair and reasonable, having regard to the competitive market for executive talent, structured effectively to motivate and retain valued executives, and designed to produce value for shareholders.

No formal review of the Board's performance was conducted during the year, however the contributions of all Directors is considered to be of a high level and adequate to discharge their duties in full.

Principle 9. Remunerate fairly and responsibly

It is the objective of TechStar to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of Directors' and officers' emoluments to the Company's financial and operational performance.

The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives;
- Attraction of quality management to the Company;

TechStar's policies relating to Directors' and Senior Executives' remuneration and the level of their remuneration are set out in the Directors' Report and the Notes to the Financial Report.

Senior staff are remunerated on the basis of packages, which comprise a base salary plus discretionary bonuses.

Principle 10. Recognise the legitimate interests of stakeholders

TechStar recognises its legal and other obligations. Company policy is to act in good faith and with integrity whilst dealing with company affairs. These responsibilities not only relate to shareholders, clients, customers and consumers. These extend to the community as whole.

The Company is firmly committed to ethical business practices, a safe workplace and compliance with the law. These include trade practices and fair dealing laws, consumer protection, respect for privacy, employment law,

CORPORATE GOVERNANCE STATEMENT

occupational health and safety, equal employment opportunity, superannuation, environment and pollution controls.

There is no formal policy in place, which provides the separate measurement and promotion of these issues, except as required by Law or as set out above.

INCOME STATEMENTS

For the year ending 30 June 2006

	Notes	Consolidated 2006 \$	Consolidated 2005 \$	Techstar Limited 2006 \$	Techstar Limited 2005 \$
Revenue	5	7,052	71,457	25,001	553,753
Cost of sales		-	(12,340)	-	-
Gross profit (loss)		7,052	59,117	25,001	553,753
Other income	5	46,144	11,864	3,398	114
Gains (losses) on disposal of assets	6	5,909		5,909	
Employee benefits expense	6	(347,329)	(645,898)	(347,329)	(645,898)
Depreciation and amortisation expenses		(6,696)	(18,935)	(6,256)	(18,935)
Impairment of assets	6	-	(1,722)	(282,195)	(1,851,028)
Research and development costs		(849,519)	(25,300)	-	-
Finance Costs	6	(141,640)	(406,600)	(133,988)	(392,298)
Administration expenses	6	(909,403)	(448,087)	(742,353)	(327,087)
Other expenses	6	-	(240,000)	-	-
PROFIT(LOSS) BEFORE INCOME TAX		(2,195,482)	(1,715,561)	(1,477,813)	(2,681,379)
Income tax expense		-	-	-	-
PROFIT(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		(2,195,482)	(1,715,561)	(1,477,813)	(2,681,379)
PROFIT (LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT		(2,195,482)	(1,715,561)	(1,477,813)	(2,681,379)
		cents	cents		
Basic loss per share		(1.8)	(4.0)		
Diluted loss per share		(1.8)	(4.0)		

The above income statements should be read in conjunction with the accompanying notes

BALANCE SHEETS

As at 30 June 2006

	Notes	Consolidated 30 June 2006 \$	Consolidated 30 June 2005 \$	Techstar Limited 30 June 2006 \$	Techstar Limited 30 June 2005 \$
CURRENT ASSETS					
Cash and cash equivalents	19	100,850	47,811	100,054	47,776
Trade and other receivables	8	91,751	91,337	42,637	63,935
TOTAL CURRENT ASSETS		192,601	139,148	142,691	111,711
NON-CURRENT ASSETS					
Other financial assets	9	-	-	7,485,398	1
Deferred income tax asset	7	-	-	-	-
Property, plant and equipment	10	9,240	10,417	7,580	10,417
Intangible assets	11	8,175,279	147,073	-	147,073
TOTAL NON-CURRENT ASSETS		8,184,519	157,490	7,492,978	157,491
TOTAL ASSETS		8,377,121	296,638	7,635,669	269,202
CURRENT LIABILITIES					
Trade and other payables	12	2,152,126	1,815,522	322,735	1,399,072
Other financial liabilities	13	42,889	3,933,256	7,611	3,846,082
Income tax payable	7	-	-	-	-
Provisions	14	25,834	31,813	25,697	31,676
TOTAL CURRENT LIABILITIES		2,220,849	5,780,591	356,043	5,276,830
NON-CURRENT LIABILITIES					
Deferred income tax liabilities	7	-	-	-	-
Financial liabilities	13	1,185,933	565,000	1,115,296	565,000
TOTAL NON-CURRENT LIABILITIES		1,185,933	565,000	1,115,296	565,000
TOTAL LIABILITIES		3,406,782	6,345,591	1,471,339	5,841,830
NET ASSETS (DEFICIENCY)		4,970,338	(6,048,953)	6,164,331	(5,572,628)
EQUITY					
Parent entity interest					
Contributed equity	15	19,976,275	6,761,502	19,976,275	6,761,502
Reserves		-	-	-	-
Accumulated losses	16	(15,005,937)	(12,810,455)	(13,811,944)	(12,334,130)
Total parent entity interest		4,970,338	(6,048,953)	6,164,331	(5,572,628)
Minority interest	17	-	-	-	-
TOTAL EQUITY		4,970,338	(6,048,953)	6,164,331	(5,572,628)

The above balance sheets should be read in conjunction with the accompanying notes

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2006

Notes	Consolidated 2006 \$	Consolidated 2005 \$	Techstar Limited 2006 \$	Techstar Limited 2005 \$
TOTAL EQUITY AT THE BEGINNING OF THE PERIOD	(6,048,952)	(4,556,280)	(5,572,628)	(3,114,138)
NET INCOME(EXPENSE) RECOGNISED DIRECTLY IN EQUITY	-	-	-	-
PROFIT (LOSS) FOR THE PERIOD	(2,195,482)	(1,715,561)	(1,477,813)	(2,681,379)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	(2,195,482)	(1,715,561)	(1,477,813)	(2,681,379)
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs	13,214,772	222,889	13,214,772	222,889
Dividends provided for or paid	-	-	-	-
	13,214,772	222,889	13,214,772	222,889
TOTAL EQUITY AT THE END OF THE PERIOD	4,970,338	(6,048,952)	6,164,331	(5,572,628)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD ATTRIBUTABLE TO Equity holders of the parent	(2,195,482)	(1,715,561)	(1,477,813)	(2,681,379)
Minority interest	-	-	-	-
	(2,195,482)	(1,715,561)	(1,477,813)	(2,681,379)

The above statements of changes in equity should be read in conjunction with the accompanying notes

CASH FLOW STATEMENTS

For the year ended 30 June 2006

	Notes	Consolidated 2006 \$	Consolidated 2005 \$	Techstar Limited 2006 \$	Techstar Limited 2005 \$
NET CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		24,137	189,190	27,325	27,507
Payments to suppliers and employees		(1,579,965)	(934,570)	(1,747,597)	(740,657)
Interest received		7,052	529	6,620	192
Borrowing costs		(2,692)	(28,009)	(2,692)	(21,971)
Research and development expenditure		(49,519)	(26,386)	-	-
Intangible asset expenditure		-	(147,073)	-	(147,073)
Government grants		41,466	11,714	-	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	19	(1,559,521)	(934,605)	(1,716,344)	(882,002)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of plant, equipment and financial assets		9,307	-	9,307	-
Acquisition of plant and equipment		(22,894)	-	-	-
Acquisition of subsidiaries		(157,720)	-	-	-
Loans to associates		(9,788)	(636)	-	(53,165)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(181,095)	(636)	9,307	(53,165)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		1,270,000	222,889	1,270,000	222,889
Proceeds from borrowings		513,882	887,331	489,332	887,331
Repayment of borrowings		9,790	(3,909)	-	(3,909)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		1,793,672	1,106,311	1,759,332	1,106,311
NET INCREASE/(DECREASE) IN CASH HELD		53,056	171,070	52,295	171,143
Add opening cash brought forward		47,794	(123,276)	47,759	(123,384)
CLOSING CASH CARRIED FORWARD	19	100,850	47,794	100,054	47,759

The above cash flow statements should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standards.

The financial report has been prepared on a historical cost basis. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of TechStar Limited comply with International Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Presentation and Disclosures.

Application of AASB 1

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

This financial report is the first TechStar Limited full year financial statements to be prepared in accordance with AIFRS. AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of TechStar Limited until 30 June 2005 have been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the TechStar Limited financial statements, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 139 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in Note 1(f).

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

A summary of the significant accounting policies of the group under AIFRS are disclosed in Note 1(d) below.

(c) Going Concern

The consolidated entity has incurred a net loss attributable to members of \$2,195,482 during the current period.

Notwithstanding the financial position of the consolidated entity outlined above, this financial report has been prepared on a going concern basis as the Directors believe that the company and the consolidated entity continue to be going concerns as the Directors believe that the company and the consolidated entity will be able to realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report. The continuation of the company and the consolidated entity as a going concern is dependent upon their ability to achieve the following objectives:

- Obtaining additional facilities, funding or capital from financiers, shareholders, directors and/or related parties to enable the company and consolidated entity to achieve a sufficient working cash flow level including further capital raising following the Ipoh Pacific Limited/Exnox Technology Limited transaction and funding from a shareholder share purchase plan.
- Continued exploration of options for the sale of the intellectual property and income generated from the commercialisation of the Ipoh Pacific Limited and Exnox Technologies Limited projects.
- Continued exploration of options for the sale of the intellectual property and income generated from the commercialisation of the Ironbar and SportzWhistle project.

However, should the anticipated sales of products and capital raisings not generate sufficient revenues and cash flows as expected, the company and consolidated entity may not be able to pay their debts as and when they become due and payable and they may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

(d) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of TechStar Limited and its subsidiaries ('the Group'). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which TechStar Limited has control. Subsidiary acquisitions are included in the consolidated financial statements using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date.

(ii) Investment in associate

Where the group has an investment in its associate it is accounted for under the equity method of accounting in the consolidated financial statements. This is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical and both use consistent accounting policies. The investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

(iii) Interest in joint venture operation

Where the group has an interest in a joint venture operation it is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

(iv) Foreign currency translation

Both the functional and presentation currency of TechStar Limited and its Australian subsidiaries is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(v) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 5 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(vi) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(vii) Investment properties

Initially, investment properties are measured at cost including transaction costs.

Subsequent to initial recognition investment properties are stated at fair value.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on the derecognition of an investment property are recognised in the income statement in the period of derecognition.

(viii) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(ix) Intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

A summary of the policies applied to the Group's intangible assets is as follows:

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(x) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(xi) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

(xii) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis;

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(xiii) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(xiv) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(xv) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(xvi) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(xvii) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(xviii) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(xix) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(xx) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(xxi) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xxii) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(xxiii) Derivative financial instruments

The Group may use derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

(e) AASB 1 Transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the transition to AIFRS).

Share-based payment transactions

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Group has not elected to adopt this exemption and has not applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information.

(f) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

The key implications of the conversion to AIFRS on the group are as follows:

- i. AASB 3 Business Combinations requires that goodwill be subject to annual impairment testing. Any goodwill previously recognised by the group had been fully amortised prior to the introduction of this standard. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 30 June 2006.
- ii. AASB 112 Income Taxes. Income tax is calculated based on the "balance sheet" approach, which can result in more deferred tax assets and liabilities and as the tax effect follows the underlying transaction, some tax effects will be recognised in equity. The aggregate amounts of current or prior year income tax expense/(income) and deferred tax assets have not been recognised in the statement of financial position or the statement of financial performance. It is not considered probable that future taxable amounts will be available against which the unused tax losses can be utilised. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 30 June 2006.
- iii. AASB 136 Impairment of Assets. Impairments of assets will be determined on a fair value less costs to sell or on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired. The carrying values of all applicable assets had been written down to a recoverable amount of nil prior to the introduction of this standard. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 30 June 2006.
- iv. AASB 138 Intangible Assets requires that costs incurred in the research phase of the development of an internally generated intangible asset would be expensed. Intangible assets previously recognised by the group had been fully amortised prior to the introduction of this standard. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 30 June 2006.
- v. AASB 139 Financial Instruments: Recognition and Measurement. Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets, except loans and receivables, must be carried at fair value. The net fair value approximates the carrying value of all financial assets and financial liabilities. There is no additional financial impact resulting from the application of the standard on transition and for the period ended 30 June 2006.
- vi. AASB 127 Consolidated and Separate Financial Statements requires the excess of accumulated losses over equity attributable to minority interest to be adjusted against the parent ownership group's interest unless the minority has a binding obligation to, and is able to, make good the losses. In contrast, AASB 1024 Consolidated Accounts prohibits the excess from being adjusted against the parent ownership group's interest unless the parent agrees to bear the responsibility for the losses.

Reconciliation of total equity after tax as presented under AGAAP to that under AIFRS

	Consolidated		
	30 Jun-05	31 Dec-04	1 Jul-04
	\$'000s	\$'000s	\$'000s
Total equity under AGAAP	(6,048,952)	(5,583,434)	(4,556,280)
<i>Adjustments to accumulated losses:</i>			
Minority Interest loss attributable to the parent (a)	(3,656,476)	(3,732,164)	(3,286,310)
	(9,705,428)	(9,315,598)	(7,842,590)
<i>Adjustments to outside equity interest</i>			
Minority Interest loss attributable to the parent (a)	3,656,476	3,732,164	3,286,310
Total equity under AIFRS	(6,048,952)	(5,583,434)	(4,556,280)

- (a) Under AASB 127 Consolidated and Separate Financial Statements losses applicable to the minority interest shareholders which reduce the minority interest to a debit/negative balance are allocated against the majority interest shareholders, except to the extent the minority has a binding obligation and is able to make an additional investment to cover the losses. Under previous AGAAP, losses were attributed to the minority interest shareholders even when it resulted in a debit/negative minority interest balance.

Reconciliation of profit after tax as presented under AGAAP to that under AIFRS

	Consolidated	
	Year ended 30 Jun-05	Half-Year ended 31 Dec-04
	\$	\$
Loss after tax attributable to members of the parent as previously reported	(1,345,395)	(694,188)
Minority Interest adjustment (a)	(370,166)	(445,849)
Loss after tax under AIFRS	(1,715,561)	(1,140,037)

- (a) Under AASB 127 Consolidated and Separate Financial Statements losses applicable to the minority interest shareholders which reduce the minority interest to a debit/negative balance are allocated against the majority interest shareholders, except to the extent the minority has a binding obligation and is able to make an additional investment to cover the losses. Under previous AGAAP losses were attributed to the minority even when it resulted in a debit/negative minority interest balance.

Explanations of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out under policies set by the Senior Management and approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas.

(a) Market risk

(i) Price risk

The Group is exposed to bentonite commodity price risk. As it develops the Mantuan Downs project the Group's capacity to raise additional funds is dependent upon commodity prices.

(ii) Fair value interest rate risk

Refer to (d) below.

(b) Credit risk

The Group has no significant concentrations of credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability of the Group to raise funds on the capital markets. The Managing Director and the Board continue to monitor the Group's financial position to ensure that it has available funds to meet its ongoing commitments.

(d) Cash flow and fair value interest rate risk

There are no interest-bearing assets or liabilities that are materially exposed to changes in market interest rates.

The Group does not have an interest-rate risk arising from long-term borrowings.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(I) Intangible Assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'amortisation expenses' line item.

(ii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes and for planning purposes when entering into contracts. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The Group currently has available tax losses. Once the Group is subject to company tax liabilities it will record any tax differences in the current and deferred tax provisions in the period in which such determination is made.

(b) Critical judgments in applying the entity's accounting policies

There were no critical judgments made in applying the Group's accounting policies.

4 SEGMENT REPORTING

The main activity of TechStar Limited for the year ended 30 June 2006 was commercialisation of technologies and its controlled entities have not presented a segment report as the group operates in a single business and geographical segment.

Notes	Consolidated 2006 \$	Consolidated 2005 \$	Techstar Limited 2006 \$	Techstar Limited 2005 \$
5 REVENUE				
Revenue				
Sale of goods	-	44,428	-	-
Rendering of Services	-	26,500	18,381	483,401
Interest	7,052	529	6,620	70,352
	<u>7,052</u>	<u>71,457</u>	<u>25,001</u>	<u>553,753</u>
Other income				
Compensation for impairment(loss) of property, plant and equipment	3,398	-	3,398	-
Government grants	41,466	11,714	-	-
Royalties	1,280	-	-	-
Other		150		114
	<u>46,144</u>	<u>11,864</u>	<u>3,398</u>	<u>114</u>
6 ITEMS INCLUDED IN PROFIT (LOSS)				
Gains(losses) on disposal of assets				
Property, plant and equipment	5,909	-	5,909	-
Employee benefits expense				
Wages and salaries	228,606	446,849	228,606	446,849
Directors remuneration	96,666	160,000	96,666	160,000
Defined contribution plans	22,058	39,049	22,058	39,049
	<u>347,329</u>	<u>645,898</u>	<u>347,329</u>	<u>645,898</u>
Impairment of assets				
Impairment losses recognised in profit or loss:				
- recoverable amount write down R&D		1,086		-
- diminution in value of loans receivable	-	636	282,194	1,851,028
	<u>-</u>	<u>1,722</u>	<u>282,195</u>	<u>1,851,028</u>
Finance Costs				
Interest expense	139,814	397,477	132,162	389,181
Other borrowing costs	1,826	9,123	1,826	3,117
	<u>141,640</u>	<u>406,600</u>	<u>133,988</u>	<u>392,298</u>
Admininstration expenses				
Bad debts written off	200	-	200	-
Foreign currency exchange differences	75	186	21	-
Administration expenses	909,128	447,900	742,132	327,087
	<u>909,403</u>	<u>448,087</u>	<u>742,353</u>	<u>327,087</u>
Other expenses				
Write off debt on sale of investments	-	240,000	-	-
	<u>-</u>	<u>240,000</u>	<u>-</u>	<u>-</u>
Specified directors and specified executives				
Interest expense from transactions with directors	71,951	259,962	70,286	259,962

Notes	Consolidated 2006 \$	Consolidated 2005 \$	Techstar Limited 2006 \$	Techstar Limited 2005 \$
7 INCOME TAX				
The prima facie tax on profit/(loss) reconciles to the income tax expense provided in the financial statements as follows:				
Total profit/(loss) before income tax	(2,195,482)	(1,715,561)	(1,477,813)	(2,681,379)
Income tax at 30% (2005 30%)	(658,645)	(514,668)	(443,344)	(804,414)
Tax effect of non-deductible expenses:				
- write-downs to recoverable amounts	-	191	84,658	555,308
- Other items net	183,742	78,644	21,903	(896)
Non-taxable income:				
Tax losses transferred from controlled entities outside the tax consolidated group	(2,132)	(182,415)	-	-
Current year losses not recognised as deferred tax asset	477,034	618,248	336,782	250,002
Income tax expense	-	-	-	-
Deferred tax assets have not been recognised in respect of:				
- tax losses available to the tax consolidated group	1,231,274	756,372	1,093,154	756,372
- tax losses available to entities outside the tax consolidated group	1,934,441	1,932,309	-	-
	3,165,715	2,688,681	1,093,154	756,372

Unused tax losses, which have not been recognised as an asset, will only be obtained if:

- (i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the economic entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the economic entity in realising the losses.

Notes	Consolidated 30 June 2006 \$	Consolidated 30 June 2005 \$	Techstar Limited 30 June 2006 \$	Techstar Limited 30 June 2005 \$
8 TRADE AND OTHER RECEIVABLES				
Current				
Trade accounts receivable	5,899	21,621	363	-
Less: Provision for doubtful debts	(3,738)	-	-	-
	2,162	21,621	363	-
Amounts receivable from related parties:				
Loans to controlled entities	-	-	25,812	-
Loans to directors/related parties	70,831	857	3,204	857
Other receivables	500	47,580	-	46,800
Prepayments	18,258	21,278	13,258	16,278
	91,751	91,337	42,637	63,935

(a) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

2006	Floating interest rate	Fixed interest maturing in:					Over 5 years	Non-interest bearing	Total
		1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years			
		\$	\$	\$	\$	\$			
Trade accounts receivable	-	-	-	-	-	-	2,162	2,162	
Loans to directors/related parties	-	-	-	-	-	-	70,831	70,831	
Other receivables	-	-	-	-	-	-	500	500	
Prepayments	-	-	-	-	-	-	18,258	18,258	
	-	-	-	-	-	-	91,751	91,751	
Weighted average interest rate	- %	- %	- %	- %	- %	- %	- %	- %	

2005	Floating interest rate	Fixed interest maturing in:					Over 5 years	Non-interest bearing	Total
		1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years			
		\$	\$	\$	\$	\$			
Trade accounts receivable	-	-	-	-	-	-	21,621	21,621	
Loans to directors/related parties	-	-	-	-	-	-	857	857	
Other receivables	-	-	-	-	-	-	47,580	47,580	
Prepayments	-	-	-	-	-	-	21,278	21,278	
	-	-	-	-	-	-	91,336	91,336	
Weighted average interest rate	- %	- %	- %	- %	- %	- %	- %	- %	

9 OTHER FINANCIAL ASSETS

Non-Current

Investment in subsidiaries at cost

During the prior year investments in controlled entities were written down to recoverable amount as follows:

Inter Whistle Pty Ltd

Opening balance

Diminution in value

Closing balance

	-	-	7,485,397	1
			1	
			(1)	-
			-	-

(a) Interests in wholly owned subsidiaries *

Name	Equity interest held by consolidated entity	Equity interest held by consolidated entity	Company carrying value of investment	Company carrying value of investment
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
Inter-whistle Pty Ltd	100%	100%	-	1
Inter-cent Pty Ltd	100%	100%	-	-
Inter-ironbar Pty Ltd	100%	100%	-	-
Inter-medteq Pty Ltd	100%	100%	-	-
Ipoh pacific Limited	100%	0%	6,033,682	-
Exnox Technologies Limited	100%	0%	1,451,713	-
Eyebionics Pty Ltd	100%	0%	2	-

(b) Interests in other subsidiaries *

SportzWhistle Pty Ltd (i)	61.2%	61.2%		
Centurion Tech Holdings Pty Ltd (ii)	60%	60%		
Centurion Technologies Pty Ltd (ii)	60%	60%		
Ironbar Pty Ltd (iii),(v)	49%	49%		
Medteq Holdings Pty Ltd (iv)	50%	50%		
Medteq Innovations Pty Ltd (iv)	50%	50%		

(i) Investments are held by Inter-whistle Pty Ltd

(ii) Investments are held by Inter-cent Pty Ltd

(iii) Investments are held by Inter-ironbar Pty Ltd

(iv) Investments are held by Inter-medteq Pty Ltd

(v) Control exists due to the entity's financial dependence upon Inter-ironbar Pty Ltd

All the subsidiaries were incorporated in Australia and all shares held are ordinary shares.

* The subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

The proportion of ownership interest is equal to the proportion of voting power held.

Notes	Consolidated 30 June 2006 \$	Consolidated 30 June 2005 \$	Techstar Limited 30 June 2006 \$	Techstar Limited 30 June 2005 \$
10 PLANT AND EQUIPMENT				
Plant and equipment:				
- at cost	101,493	104,791	75,303	84,946
- provision for depreciation	(92,253)	(96,848)	(67,722)	(77,004)
	9,240	7,943	7,580	7,943
Plant and equipment under lease				
- at cost	-	18,475	-	18,475
- provision for amortisation	-	(16,001)	-	(16,001)
	-	2,474	-	2,474
Total plant and equipment	9,240	10,417	7,580	10,417
Total plant and equipment				
- at cost	101,493	123,266	75,303	103,421
- provision for depreciation and amortisation	(92,253)	(112,849)	(67,722)	(93,005)
Total written down amount	9,240	10,417	7,580	10,417
Assets pledged as security				
Assets under lease are pledged as security for the associated lease liabilities.				
(a) Reconciliations				
Plant and equipment				
- carrying amount at beginning	7,943	23,567	7,943	23,567
- additions	7,442	-	5,342	-
- disposals	-	-	-	-
- depreciation expense	(6,145)	(15,624)	(5,705)	(15,624)
	9,240	7,943	7,580	7,943
Plant and equipment under lease				
- carrying amount at beginning	2,474	5,785	2,474	5,785
- additions	-	-	-	-
- terminated during the year	(1,922)	-	(1,922)	-
- amortisation expense	(552)	(3,311)	(552)	(3,311)
	-	2,474	-	2,474

Notes	Consolidated 30 June 2006 \$	Consolidated 30 June 2005 \$	Techstar Limited 30 June 2006 \$	Techstar Limited 30 June 2005 \$
11 INTANGIBLE ASSETS				
Goodwill	59,388	59,388	-	-
Accumulated amortisation	(59,388)	(59,388)	-	-
	-	-	-	-
Research and development costs				
Balance at beginning of year at cost	849,335	1,489,919	-	-
Research and development costs incurred during the year and deferred	-	1,087	-	-
Capitalised Research and development costs written back on disposal of the underlying asset	-	(641,671)	-	-
Balance at end of year at cost	849,335	849,335	-	-
Accumulated amortisation prior years	(849,335)	(848,249)	-	-
	-	1,086	-	-
Diminution of recoverable amount	-	(1,086)	-	-
	-	-	-	-
Intellectual property at cost	8,275,078	246,873	-	147,073
Accumulated amortisation	(99,800)	(99,800)	-	-
Impairment losses recognised in profit or loss	-	-	-	-
	8,175,278	147,073	-	147,073
Total intangible assets	8,175,278	147,073	-	147,073
Reconciliation				
Intellectual property				
- carrying amount at beginning	147,073	-	147,073	-
- acquisitions through business combinations	8,175,278	147,073	-	147,073
- amounts expensed in accounts	(147,073)	-	(147,073)	-
	8,175,278	147,073	-	147,073

As indicated in Note 1(d)(ix), the intellectual property brought to account as part of the business acquisition in December 2005 of Ipoh Pacific Ltd and Exnox Technologies Ltd is capitalised at fair value at the date of acquisition.

The intellectual property relates to various projects being undertaken by Ipoh Pacific Ltd and Exnox Technologies Ltd, the majority of which relate to bentonite based technologies and include technologies associated with the one-third interest in the Mantuan Downs Bentonite project held at 30 June 2006.

The directors have reviewed the carrying value of the intellectual property at 30 June 2006 based on projections of future cash flows expected to be received from the projects and have concluded that the recoverable amount of the intellectual property remains unchanged since its acquisition in December 2005. The directors acknowledge however, that due to the early stage of development of the projects and the absence of established markets, there remains a significant degree of inherent uncertainty in relation to the ultimate recovery of the intellectual property. This report does not include any adjustments to the value of the intellectual property that might be necessary should the consolidated entity not recover the carrying value of the intellectual property as stated in the financial report.

12 TRADE AND OTHER PAYABLES

Current

Trade accounts payable	1,373,647	830,323	161,781	541,989
Amounts payable to related parties - directors	778,479	985,199	160,954	857,083
	<u>2,152,126</u>	<u>1,815,522</u>	<u>322,735</u>	<u>1,399,072</u>

Trade and other payables includes the obligation to pay \$800,000 to CRC Care Pty Ltd for research and development expenditure. The discharge of this \$800,000 liability is dependant upon the extent of completion or satisfaction of certain conditions or requirements stipulated in the agreement entered into for the provision of this funding to CRC Care Pty Ltd

13 OTHER FINANCIAL LIABILITIES

Current

Unsecured borrowings				
- bank overdraft	-	17	-	17
- director related entities	35,279	-	-	-
- other entities	7,610	-	7,610	-
Secured borrowings				
- finance lease liabilities	-	2,610	-	2,610
- director related entities	-	2,880,977	-	2,793,803
- other entities	-	1,049,652	-	1,049,652
	<u>42,889</u>	<u>3,933,256</u>	<u>7,611</u>	<u>3,846,082</u>

Non-current

Unsecured borrowings				
- director related entities	526,200	-	455,563	-
Secured borrowings				
- director related entities	659,733	565,000	659,733	565,000
	<u>1,185,933</u>	<u>565,000</u>	<u>1,115,296</u>	<u>565,000</u>

(a) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

2006	Floating interest rate	Fixed interest maturing in:					Over 5 years	Non-interest bearing	Total
		1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years			
	\$	\$	\$	\$	\$	\$	\$	\$	
Trade and other payables									
- Trade accounts payable							1,373,647	1,373,647	
- Amounts payable to related parties - directors							778,479	778,479	
Other financial liabilities									
<i>Unsecured borrowings:</i>									
- Bank overdraft	-	-	-	-	-	-	-	-	
- Director related entities (i)	-	-	526,200	-	-	-	35,279	561,479	
- other entities	-	-	-	-	-	-	7,610	7,610	
<i>Secured borrowings:</i>									
- director related entities (ii)	-	-	659,773	-	-	-	-	659,773	
- other entities	-	-	-	-	-	-	-	-	
	-	-	<u>1,185,973</u>	-	-	-	-	<u>2,195,015</u>	
Weighted average interest rate	- %	-	10%	- %	- %	- %	- %	- %	

Fixed interest maturing in:

2005

	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-interest bearing	
	\$	\$	\$	\$	\$	\$	\$	\$	
Trade and other payables									
- Trade accounts payable								830,323	830,323
- Amounts payable to related parties – directors								985,199	985,199
Other financial liabilities									
<i>Unsecured borrowings:</i>									
- Bank overdraft	17								
<i>Secured borrowings:</i>									
- finance lease liabilities		2,610							2,610
- director related entities (ii)		2880977	565,000						3,445,977
- other entities (liii)		1049652							1,049,652
	-	-	-	-	-	-	-		
	17	3933239	565,000	-	-	-	-	1,815,522	6,313,777
Weighted average interest rate	-3.5%	10%	10%	- %	- %	- %	- %	- %	- %

- (i) Director related entity loans are repayable after 1 July 2007. Interest is charged at the rate of 10%pa and the loans are unsecured.
- (ii) Director related entity loans are repayable after 1 July 2007. Interest is charged at the rate of 10%pa and the loans are secured via a floating charge.
- (iii) Loans to Other entities are repayable over time with interest charged at the rate of 10%pa. The loans are secured via a floating charge.

14 PROVISIONS

Current

Employee benefits	25,697	31,676	25,697	31,676
Warranty provision	137	137	-	-
	25,834	31,813	25,697	31,676

The average number of employees during the year was three.

The consolidated entity contributes 9% of the employees' wages and salaries to various superannuation funds

Notes	Consolidated 30 June 2006 \$	Consolidated 30 June 2005 \$	Techstar Limited 30 June 2006 \$	Techstar Limited 30 June 2005 \$
15 CONTRIBUTED EQUITY				
(a) Issued and paid up capital				
Ordinary shares fully paid	20,576,385	7,361,612	20,576,385	7,361,612
Less: Equity raising costs	(600,110)	(600,110)	(600,110)	(600,110)
	19,976,275	6,761,502	19,976,275	6,761,502

(b) Movements in shares on issue (parent)

	30 June 2006		30 June 2005	
	Number of shares	\$	Number of shares	\$
Beginning of financial year	43,996,697	6,761,502	41,747,943	6,538,613
Issued during year				
- shares issued to other parties including employees	148,754,909	13,214,773	2,017,274	202,889
- employee share options exercised	-	-	231,480	20,000
End of the financial year	192,751,606	19,976,275	43,996,697	6,761,502

Movements in the numbers of options to acquire share capital are as follows:

	Exercise Price	Number of Options	
		30 June 2006	30 June 2005
On issue at the beginning of the year		2,035,881	2,267,361
Exercised during the period	\$0.0864	-	231,480
Expired during the period		1,910,881	-
Issued during the period (i)	Various prices	-	-
On issue at the end of the period		125,000	2,035,881

(i) These options were issued attached to equity placements during the financial year and are exercisable at the following dates and prices:

Expiry Date	Exercise Price	Number of Options	
		30 June 2006	30 June 2005
1 February 2006 - employees	\$0.0864	-	925,926
1 April 2006 - employees	\$0.0864	-	578,705
30 June 2006	\$0.20	-	250,000
30 June 2006	\$0.16	-	156,250
31 July 2006	\$0.20	125,000	125,000
		125,000	2,035,881

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Options to acquire issued share capital

Each option entitles the holder to purchase one share. The names of all persons who currently hold share options, granted at any time, are entered in the register kept by the Company, pursuant to Section 168 of the Corporations Act 2001, which may be inspected free of charge. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the parent entity or any other body corporate.

	Consolidated 30 June 2006 \$	Consolidated 30 June 2005 \$	Techstar Limited 30 June 2006 \$	Techstar Limited 30 June 2005 \$
16 ACCUMULATED LOSSES				
Balance at beginning of year	(9,153,979)	(7,808,585)	(12,334,130)	(9,652,751)
Net losses attributable to members of TechStar Limited	(2,053,195)	(1,345,395)	(1,477,814)	(2,681,379)
Transfer of revaluation reserve	-	-	-	-
	(11,207,175)	(9,153,979)	(13,811,944)	(12,334,130)
Minority interest transferred to parent	(3,798,763)	(3,656,476)	-	-
Accumulated Losses attributable to parent	(15,005,937)	(12,810,455)	(13,811,944)	(12,334,130)
17 MINORITY INTEREST				
Reconciliation of minority interests in controlled entities:				
Balance at beginning of year	(3,656,476)	(3,286,310)		
Less share of operating loss	(142,286)	(370,166)		
Balance at end of year	(3,798,763)	(3,656,476)		
Minority Interest transferred to parent	3,798,763	3,656,476		
Minority Interest	-	-		
Minority interest comprises:				
Share capital	2,061,397	2,061,397		
Accumulated losses	(5,860,160)	(5,717,873)		
	(3,798,763)	(3,656,476)		

Notes	Consolidated 2006 \$	Consolidated 2005 \$	Techstar Limited 2006 \$	Techstar Limited 2005 \$
18 EARNINGS PER SHARE				
Basic earnings per share (cents)	(1.8)	(4.0)		
Diluted earnings per share (cents)	(1.8)	(4.0)		
The outstanding share options could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they are antidilutive for both financial years				
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:				
Net profit/(loss)	(2,195,482)	(1,715,561)		
Adjustments:				
Net profit/(loss) attributable to outside equity interest	-	-		
Earnings used in calculating basic and diluted earnings per share	(2,195,482)	(1,715,561)		

	Number of shares	Number of shares
Weighted average number of shares used in calculating basic earnings per share and diluted earnings per share:	121,526,729	42,887,880
Effect of dilutive securities:		
- share options	1,515,206	2,113,887
Adjusted weighted average number of ordinary shares	123,041,935	45,001,767

Notes	Consolidated 2006 \$	Consolidated 2005 \$	Techstar Limited 2006 \$	Techstar Limited 2005 \$
19 STATEMENT OF CASH FLOWS				
Reconciliation of the operating loss after tax to the net cash flows from operations				
Operating loss after tax	(2,195,482)	(1,715,561)	(1,477,813)	(2,681,379)
Non-cash flows in loss from operations:				
Depreciation of non-current assets	(8,131)	15,624	2,837	15,624
Amortisation of assets under finance lease	-	3,311	-	3,311
Diminution of value of loans receivable	-	636	-	1,851,028
Net foreign currency (gains)/losses	-	-	-	-
Accrued overhead recoveries from associates	-	-	-	(456,901)
Accrued interest on interest bearing liabilities	138,948	378,589	131,296	370,329
Accrued interest on investment in associated entites	-	-	-	(70,160)
Write off of debt on sale of investments	-	240,000	-	-
Other	-	-	-	-
Changes in assets and liabilities:				
Decrease/(increase) in trade and other receivables	19,459	69,295	(363)	(47,449)
Decrease/(increase) in prepayments	3,020	7,764	3,020	(2,340)
(Decrease)/increase in trade and other creditors	336,621	(82,713)	(1,191,849)	115,552
(Decrease)/increase in payables	822,509	288,116	822,509	160,000
(Decrease)/increase in employee entitlements	(5,979)	7,456	(5,979)	7,456
(Decrease)/increase in other provisions	-	(49)	-	-
Decrease/(increase) in intangible assets	(670,486)	(147,073)	-	(147,073)
Net cash flow from (used in) operating activities	(1,559,521)	(934,606)	(1,716,342)	(882,002)
Reconciliation of cash				
Cash balance comprises:				
- cash on hand and at bank	100,850	47,811	100,054	47,776
- short term deposits	-	-	-	-
	100,850	47,811	100,054	47,776
- bank overdraft	-	(17)	-	(17)
Closing cash balance	100,850	47,794	100,054	47,759

The parent entity earns interest from its cash at bank. The average of the floating interest rate at year end was 3.25% per annum (June 2005: 3.0% per annum).

Notes	Consolidated 2006 \$	Consolidated 2005 \$	Techstar Limited 2006 \$	Techstar Limited 2005 \$
20 REMUNERATION OF AUDITORS				
During the year the auditors of the parent company and its related practices earned the following remuneration:				
Ernst & Young				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	47,964	100,811	47,964	100,811
- other services	-	-	-	-
	<u>47,964</u>	<u>100,811</u>	<u>47,964</u>	<u>100,811</u>
Sothertons				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	32,000	-	32,000	-
- taxation services	4,695	-	-	-
- other services	-	-	-	-

23 CHANGE IN COMPOSITION OF ENTITY

(a) Acquisition of Ipoh Pacific Limited

On 16 December 2005, TechStar Limited acquired 100% of the voting shares of Ipoh Pacific Limited.

In connection with the business combination, TechStar Limited paid \$225,000 cash consideration and issued 80,000,000 ordinary shares with a fair value of \$0.072 each based on the published price of TechStar Limited shares at the date of acquisition.

From the date of acquisition, Ipoh Pacific Limited contributed \$Nil to the net profit or loss of the Group.

Amounts of classes of acquiree's assets, liabilities and contingent liabilities recognised at acquisition date:

	Carrying value immediately before acquisition	Amounts recognised at acquisition date
	\$	\$
Cash and cash equivalents	67,280	67,280
Trade and other receivables	55,894	55,894
TOTAL CURRENT ASSETS	123,174	123,174
Receivables		
Other financial assets		
Property, plant and equipment	728	728
Intangible assets - intellectual property	6,697	6,676,807
TOTAL NON-CURRENT ASSETS	7,425	6,677,535
TOTAL ASSETS	130,599	6,800,709
Trade and other payables	767,027	767,027
TOTAL CURRENT LIABILITIES	767,027	767,027
Secured Loans		
Unsecured Loans		
Lease Liabilities		
Provision for employee benefits		
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	767,027	767,027
NET ASSETS	(636,428)	6,033,682
Cost of Combination/Consideration:		
Cash and cash equivalents		225,000
TechStar Limited ordinary shares issued at fair value		5,760,000
Costs directly attributable to acquisition:		
Professional fees		12,772
Stamp Duty		35,910
Total consideration		6,033,682
Cashflow on acquisition is as follows:		
Net cash acquired with subsidiary		67,280
Cash paid		(225,000)
Net cashflow		(157,720)

23 CHANGE IN COMPOSITION OF ENTITY (continued)

(b) Acquisition of Exnox Technologies Limited

On 16 December 2005, TechStar Limited acquired 100% of the voting shares of Exnox Technologies Limited.

In connection with the business combination, TechStar Limited issued 20,000,000 ordinary shares with a fair value of \$0.072 each based on the published price of TechStar Limited shares at the date of acquisition.

From the date of acquisition, Exnox Technologies Limited contributed \$Nil to the net profit or loss of the Group.

Amounts of classes of acquiree's assets, liabilities and contingent liabilities recognised at acquisition date:

	Carrying value immediately before acquisition	Amounts recognised at acquisition date
	\$	\$
Cash and cash equivalents	3,196	3,196
Trade and other receivables	526	526
TOTAL CURRENT ASSETS	3,722	3,722
Receivables		
Other financial assets		
Property, plant and equipment	1,371	1,371
Intangible assets - intellectual property	2,665	1,498,471
TOTAL NON-CURRENT ASSETS	4,036	1,499,842
TOTAL ASSETS	7,758	1,503,564
Trade and other payables	28,800	28,800
TOTAL CURRENT LIABILITIES	28,800	28,800
Secured Loans		
Unsecured Loans	23,051	23,051
Lease Liabilities		
Provision for employee benefits		
TOTAL NON-CURRENT LIABILITIES	23,051	23,051
TOTAL LIABILITIES	51,851	51,851
NET ASSETS	(44,093)	1,451,713
Cost of Combination/Consideration:		
Cash and cash equivalents		-
TechStar Limited ordinary shares issued at fair value		1,440,000
Costs directly attributable to acquisition:		
Professional fees		3,073
Stamp Duty		8,640
Total consideration		1,451,713
Cashflow on acquisition is as follows:		
Net cash acquired with subsidiary		3,196
Cash paid		-
Net cashflow		3,196

24 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of TechStar Limited during the financial year.

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer/Contractor
David Hunt	Chief Executive Officer	TechStar Limited
Peter Dewar	Chief Operating Officer	TechStar Limited
Michael Ilett	Company Secretary	TechStar Limited
Kevin Mischewski	Financial Accountant	TechStar Limited

(c) Key Management personnel compensation

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
Short-term employee benefits	383,853	302,909	383,853	302,909
Post-employment benefits	20,100	27,263	20,100	27,263
Other	8,446	13,374	8,446	13,374
	382,299	343,545	382,299	343,545

The Group has taken advantage of the relief provided by Corporations Amendment Regulations 2006 (No.4) which has made amendments to Regulation 2M.3.03 and Schedule 5B of the Corporations Regulations and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A-D of the remuneration report on pages 6 – 10.

Equity instrument disclosures to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

There were no options provided as remuneration or held by directors at year end.

Share holdings

The number of shares in the Company held during the financial year by each Director of TechStar Limited and other key management personnel of the Group, including their personally related parties are set out below. There are no shares granted during the period as compensation.

Name		Balance at end of the year
Directors:		
J.B. Reid	2006	25,352,263
	2005	6,088,906
B.P. Jones	2006	7,949,028
	2005	5,649,239
J.W. Laurie	2006	1,722,986
	2005	344,986
P Byrne	2006	35,333,477
	2005	—
C Dredge	2006	35,332,970
	2005	—
Other key management personnel:		—

J Fick	2006	—
	2005	—
P Ziegler	2006	—
	2005	—
David Hunt	2006	402,311
	2005	402,311
M Ilett	2006	50,000
		50,000

Loans to key management personnel

There were no loans made to key management personnel.

Other director transactions

25 RELATED PARTY TRANSACTIONS

(a) Ultimate controlling entity

The ultimate controlling entity of the economic entity is TechStar Limited.

(b) Directors

The following persons have held the position of Director of TechStar Limited during the past two years, unless otherwise stated:

J. B. Reid (Resigned 1 June 2006)

B. P. Jones

J. W. Laurie

A. J. Hanmer (Resigned 2 January 2005)

P. J Byrne (Director since 29 November 2005)

C. P Dredge (Director since 29 November 2005)

P. A Ziegler (Director since 29 November 2005)

J. Fick (Director since 8 June 2005)

(c) Remuneration of Directors

Information on the remuneration of Directors is disclosed in the Remuneration Report which can be found in the Directors' Report.

During the year Capital Technic Consulting Pty Ltd ("CTC"), an entity associated with Mr. John Fick, charged the Company \$91,666 for the provision of services. Moray Holdings (Qld) Pty Ltd as trustee for the Byrne Family Trust ("MOH"), an entity associated with Mr. Paul Byrne charged the Company \$31,500 for the provision of services.

(d) Transactions with controlled entities

During the year the parent entity advanced funds to its controlled entities. The loans due from controlled entities are shown in the trade and other receivables notes. These loans have been fully impaired.

(e) Loans to/from related parties

	Consolidated
	2006
<i>Loans to/from related parties</i>	
Beginning of the year	3,441,629
Directors' Fees	943,749
Loans advanced including expense claims	1,335,637
Interest paid	71,951
Directors Fees' Paid	(146,857)
Loan repayment through equity issue.	<u>(3,718,547)</u>

(f) Capitalisation of indebtedness due to Directors

At the Annual General Meeting held on 29 November 2005 the shareholders approved the capitalisation of indebtedness due to Directors of \$3,718,547 comprising of the following amounts:-

Director	Directors' Fees	Loans	General Creditor	Total Indebtedness
John Reid	\$500,000	\$2,537,697	\$11,294	\$3,048,991
Brian Jones	\$200,000	\$247,593	\$8,513	\$456,106
John Laurie	\$201,332	-	\$12,118	\$213,450

The total indebtedness was capitalised into shares in the Company at an issue price of 15 cents per shares resulting in the following shares being issued:-

Director	Total Debt	Debt Capitalisation Shares Issues
John Reid	\$3,048,991	20,326,607
Brian Jones	\$456,106	3,040,709
John Laurie	\$213,450	1,423,000
Total	\$3,718,547	24,790,316

(g) Loans with director related entities

Subsequent to the capitalisation of debt forgiveness the following additional funding was provided to TechStar Limited:-

1. John Reid

A loan of \$100,000 was provided on commercial lending terms unsecured at the rate of interest of 10%.pa. Interest amounting to \$2,626 has been charged to this loan. The balance of the loan at 30 June 2006 including accrued interest is \$102,626 (2005: nil)

An amount of \$25,000 has been accrued for outstanding Directors' Fees.

2. Brian Jones

A loan of \$60,000 was provided on commercial lending terms unsecured at the rate of interest of 10%.pa. Interest amounting to \$1,795 has been charged to this loan. The balance of the loan at 30 June 2006 including accrued interest is \$61,795 (2005: nil)

An amount of \$25,000 has been accrued for outstanding Directors' fees. An amount of \$11,355 is also outstanding for expenses.

3. Brian Jones and John Reid

A loan of \$565,000 loan was provided on commercial lending terms secured by a fixed and floating charge over the assets of the Company at the rate of interest of 10%.pa. Interest amounting to \$59,733 (2005: \$Nil) has been charged on this loan. The balance of the loan at 30 June 2006 including accrued interest \$659,732.

4. Peter Ziegler

An amount of \$23,333 has been accrued for outstanding Directors' fees.

5. John Laurie

An amount of \$23,333 has been accrued for outstanding Directors' fees.

6. Paul Byrne

A loan of \$366,200 was provided on commercial lending terms secured by a fixed and floating charge over the assets of the Company at the rate of interest of 10%pa. Interest amounting to \$7,797 (2005: \$Nil) has been charged on this loan. The balance of the loan at 30 June 2006 including accrued interest \$373,997. A further amount of \$374,381 has been provided by Paul Byrne as the result of the acquisition of Exnox Technologies Limited and Ipoh Pacific Limited.

An amount of \$31,500 has been accrued for outstanding consulting fees.

7. Christopher Dredge

A further amount of \$ 277,285.09 has been provided by Christopher Dredge as the result of the acquisition of Exnox Technologies Limited and Ipoh Pacific Limited.

An amount of \$31,500 has been accrued for outstanding consulting fees.

(h) Acquisition of Ipoh Pacific Limited and Exnox Technologies Capitalisation of indebtedness due to Directors

At the annual general meeting of shareholders held on 29 November 2005 the shareholders of the Company approved the acquisition of Ipoh Pacific Limited for the consideration of \$225,000 and 80,000,000 ordinary shares at an issue price of 10 cents per share and the acquisition of Exnox Technologies Limited for the consideration of 20,000,000 shares at an issue price of 10 cents per share.

The transaction resulted in the following financial benefit to Mr Byrne and his associates:

Holder/Recipient	Cash Consideration	Share consideration relating to the acquisition
E A Byrne Henderson	\$82,500.62	29,333,553
Moray Holdings (Qld) P/L	\$71,247.55	35,332,464
Louise Anne Fleury	\$2,85	1,013
Total	\$153,751.02	64,667,030

The transaction resulted in the following financial benefit to Mr Dredge and his associates:

Holder/Recipient	Cash Consideration	Share consideration relating to the acquisition
Christopher Dredge	\$71,246.13	35,331,957
Nanette Dredge	\$2.85	1,013
Total	\$71,248.98	35,332,970

26 DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

	Parent
2006	2005
\$	\$

No dividends of the parent entity or any entity within the consolidated entity have been declared or recommended since the end of the preceding year. The Directors do not recommend the payment of any dividend for the year ended 30 June 2006.

27 CONTINGENT ASSETS AND LIABILITES

Since the last annual reporting date, the company has entered into an agreement with CSIRO under which CSIRO will conduct research activities .on behalf of the Company for the development of the bentonite technologies.

28 EVENTS AFTER THE BALANCE SHEET DATE

On 13th September 2006, at a General Meeting the following resolutions were approved by the members:

- Change of auditor from Ernst & Young to Sothertons;
- An issue of 3,000,000 fully paid shares at a price of 5 cents each made to a party related to TechStar Limited; and
- Ratification of issues of 9,000,000 fully paid shares to four investors at 5 cents.

The financial effects and implications of the above transactions have not been brought to account at 30 June 2006.

DIRECTORS' DECLARATION

The directors declare that:

In the directors' opinion:

- (a) the financial statements and notes of the consolidated entity as set out on pages 4 to 21:
- (i) are in accordance with the Corporations Act 2001; and
 - (ii) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (iii) give a true and fair view of the consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out on pages 9 to 12 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and
- (d) the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Brian Jones
Director

Brisbane, 30/09/2006

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
TECHSTAR LIMITED**

PARTNERS

Geoffrey J. Read

Linda E. Timms

Karen E. Keating

Anthony C. Bryen

Scope

We have audited the financial report of TechStar Limited and controlled entities for the year ended 30 June 2006 as set out on pages 27 to 63.

CONSULTANT

Kenneth E. Scells

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of TechStar Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty

Without qualification to the statement above, attention is drawn to the following matters:

Continuation as a going Concern

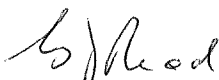
As described in Note 1(c) "Going Concern" there is significant uncertainty whether the company and the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report of the company and the consolidated entity does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as a going concern.

Value of Intangible Assets

As a result of the matters described in Note 11 "Intangible Assets", there is significant uncertainty regarding the value of intellectual property as recorded in the financial report. The financial report of the company and the consolidated entity does not include any adjustments to the value of the intellectual property that might be necessary should the company and the consolidated entity not recover the carrying value of the intellectual property as stated in the financial report.



Sothertons - Brisbane Partnership



G J Read
Partner

Dated at Brisbane this thirtieth day of September 2006.

ASX ADDITIONAL INFORMATION

Additional Information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. This information is current as at 21 September 2006.

(a) Statement of Shareholdings

Holding Range	Name of 20 largest shareholders	No. of holders	Fully paid No. of shares held	% held
	Christopher Paul Dredge		35,331,957	18.05
	Elizabeth Anne Byrne Henderson		29,333,553	14.99
	Paul James Byrne		25,332,464	12.94
	Qorrobolong Pty Ltd		18,948,876	9.68
	ITR Investments Pty Ltd		11,283,244	5.76
	Moray Holdings Pty Ltd		10,000,000	5.11
	Mr Graeme Wood		8,000,000	4.09
	Meltharina Pty Ltd		7,923,101	4.05
	Quorrobolong Pty Ltd		5,318,992	2.72
	B J Byrne Nominees Pty Ltd		5,000,000	2.55
	Rovno Pty Ltd		2,746,030	1.40
	Bevilles Executives Super Fund Pty Ltd		2,247,200	1.15
	John William Laurie & Mary Laurie		1,722,986	0.88
	Gygax Holdings Pty Limited		1,700,000	0.87
	Tricom Nominees Pty Ltd		1,500,000	0.77
	Davirose Pty Ltd		1,427,597	0.73
	IRSF Pty Ltd		1,080,000	0.55
	Rocklea Estate Pty Ltd		1,000,000	0.51
	ANZ Nominees Limited		969,000	0.50
	Mr PAK Naylor & Mrs A Naylor		947,599	0.48
	Total	20	171,812,599	87.77
100,001 and over	Various	68	185,170,086	94.59
10,001 to 100,000	Various	280	9,578,978	4.89
5,001 to 10,000	Various	90	713,120	0.36
1,001 to 5,000	Various	88	268,654	0.14
1 to 1,000	Various	34	20,768	0.01
	Total	560	195,751,606	100.00
No. of shareholders holding less than a marketable parcel		222	1,081,163	0.58

(b) Voting rights

The voting rights attaching to each class of equity securities are set out below:

(i) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(ii) Options

No voting rights.